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SIPDIS

SENSITIVE

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WHITE HOUSE PASS USTR FOR LERRION

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SUBJECT: AMBASSADOR'S MEETING WITH INDUSTRY MINISTER

1. (Sbu) Summary: Minister of Industry Ali Coskun told Ambassador the GOT would introduce legislation to solve Cargill's zoning problem in January and claimed the GOT was working on the data exclusivity problem. Coskun seemed to take the Ambassador's point on the need to resolve some American company problems before Prime Minister Erdogan's late-January U.S. trip. On economic reform, Coskun complained that the IMF did not focus on the real economy. End Summary.

2. (Sbu) The Ambassador and Minister of Industry Ali Coskun held their first meeting December 22. Coskun, citing his long experience as a businessman, and as a founder of the Turkish-American cooperation council at the Foreign Economic Relations Council (DEIK) during his time as the Chairman of the Turkish Chambers of Commerce (TOBB), expressed the hope that the two countries' economic relations could be brought up to the level of their geostrategic relationship. The Ambassador shared this view, and pointed out that his first speech in Turkey had been on economic topics. The Ambassador then briefed Coskun on the Economic Partnership Commission (EPC) meetings, including the discussion of QIZ's.

Foreign Investment:

3. (Sbu) The Ambassador said that at the EPC everyone agreed that the the missing element in Turkey's economic picture is a level of Foreign Direct Investment (FDI) commensurate to the size of its market and its geographic position. He added that Turkey had two out of three of the essential conditions to attract FDI: macroeconomic stability and recently-passed legislation to reduce regulatory impediments to foreign investment. The establishment of an interministerial committee on foreign investment was also a positive step. The Ambassador noted, however, that the third element needed--a series of "success stories," in which the Government took action to solve foreign companies' problems--was lacking. He went on to point out that the Prime Minister's trip to Washington and the NATO summit were opportunities to showcase Turkey as an investment destination. The Ambassador told Coskun he hoped that some of the U.S. company problems could be resolved in time to allow U.S. officials to highlight them at these events.

4 (Sbu) Coskun pointed out that he is the coordinating Minister for economic cooperation, and said that he will try to solve the American company problems, but that he could not promise anything. Given that many of the problems relate to other Ministers' jurisdictions, Coskun felt it was important to try to deal with them at a meeting of the GOT's interagency Economic Coordination Council, and said he would call a meeting to discuss these issues. In general, Coskun said he hoped the Ambassador could meet with him from time to time and try to work on these problems. He said his door was always open.

5. (Sbu) In particular, the Ambassador asked for Coskun's help with Cargill's zoning problem, noting that Cargill's factory was its largest greenfield investment in the world, and that the zoning issue fell under Coskun's ministry. Coskun pointed out that the GOT had helped Cargill on the sweetener quota issue, and claimed that the GOT intended to submit legislation solving the zoning issue to Parliament in January, after the Budget Law is passed.

Data Exclusivity:

16. (Sbu) The Ambassador also raised U.S. pharmaceutical companies' problems with data exclusivity, and said he understood the Prime Minister had indicated he hoped it would be solved soon. Coskun said, "It's on our agenda," and said he had met with labor groups and pharmaceutical companies to discuss the issue.

Economic Reform:

17. (Sbu) The Ambassador congratulated Coskun on Turkey's recent economic performance, with inflation and interest rates coming down, and growth and the currency stable, though perhaps a bit overvalued. The Ambassaador said the GOT needed to continue economic reforms, particularly as there will be pressure to spend money or take potentially inflationary measures, in the run-up to municipal elections in March. Coskun said his Ministry had responsibility for the real sector, and complained that the IMF neglected the real economy and small- and medium-sized enterprises, focusing only on inflation, financial markets, and debt. Coskun said his Ministry concentrated on encouraging investment, exports and production.

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